



## COMPTROLLER'S INVESTIGATIVE REPORT

### City of Townsend

*June 30, 2025*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

June 30, 2025

City of Townsend Mayor and  
Board of Commissioners  
123 Tiger Drive  
Townsend, TN 37882

City of Townsend Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Townsend, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 5<sup>th</sup> Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "J.E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## City of Townsend

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Townsend. The investigation was initiated after city officials reported questionable purchases by the former city manager. The investigation was limited to selected records for the period May 2020 through May 2024. The results of the investigation were communicated with the Office of the District Attorney General of the 5<sup>th</sup> Judicial District.

### BACKGROUND



The City of Townsend (city) is in Blount County, Tennessee, and is governed by a board of five commissioners (board) elected to 4-year terms. The elected commissioners elect one commissioner to be mayor, who serves a 2-year term. The city employs a full-time city manager and a full-time city recorder.

Danny Williamson was hired as the city recorder in June 2014. He was responsible for administering all city financial affairs during his time as city recorder. In 2022, Williamson was promoted to city manager, responsible for managing city departments and employees and ensuring all city functions operated within the board approved budget. On April 16, 2024, the mayor placed Williamson on administrative leave. Williamson's employment contract expired on June 30, 2024, and the board did not renew his contract.

### RESULTS OF INVESTIGATION

#### 1. FORMER CITY OF TOWNSEND MANAGER DANNY WILLIAMSON MISAPPROPRIATED CITY FUNDS TOTALING AT LEAST \$3,954

From July 2020 through February 2024, Williamson misappropriated city funds totaling at least \$3,954 by using city credit cards and store credit accounts for personal purchases. Investigators reviewed city purchases and determined Williamson purchased clothing, home goods (**Refer to Exhibit 1**), and other items for his personal benefit. Investigators were unable to meet with Williamson.

**Exhibit 1**

000000002779384	BATHROOM VANITY 11	1	EA	\$1,245.57	\$1,245.57
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*Williamson purchased a bathroom vanity using a city store credit account*

**Summary of Misappropriation by Former City Manager Williamson**

Year	Amount
2020	\$ 391
2021	\$ 129
2022	\$ 1,753
2023	\$ 1,456
2024	\$ 225
<b>Total Misappropriation</b>	<b><u>\$ 3,954</u></b>

On June 12, 2025, Williamson repaid \$3,955 to the city for his personal purchases.

**2. INVESTIGATORS FOUND OTHER QUESTIONABLE PURCHASES ON CITY OF TOWNSEND CREDIT CARDS TOTALING AT LEAST \$19,853**

During the investigative period, investigators found other questionable purchases made on city credit cards and store credit accounts totaling at least \$19,853. The questionable purchases included food, hotel stays, supplies, and other items that were not supported with itemized receipts or documentation. Therefore, investigators could not determine if these purchases benefited the city.

**3. A COMMISSIONER AND CITY EMPLOYEES USED THE CITY GARAGE AND EQUIPMENT FOR THEIR PERSONAL BENEFIT**

A city maintenance employee used the city garage to work on the personal vehicles belonging to a commissioner and certain city employees (**Refer to Exhibit 2**). Multiple city employees acknowledged that such work had occurred in the city garage after normal business hours, using parts and supplies purportedly purchased by the commissioner and city employees, and they did not pay the city maintenance employee for the labor performed. *Townsend Municipal Code* states “An official or employee may not use or authorize the use of municipal time, facilities, equipment, or supplies for private gain or advantage to any private person or entity, except as authorized by legitimate contract or lease that is determined by the governing body to be in the best interests of the municipality.” In addition, the use of the city garage for personal purposes increases the city’s liability risk. Therefore, the use of city facilities and equipment for personal purposes should be strictly prohibited. Investigators were unable to determine if any city garage supplies or vehicle parts were used for personal purposes.

**Exhibit 2**



*Personal tires observed by investigators in the city garage*

On June 27, 2025, Danny Williamson entered a guilty plea by way of Criminal Information to one count of Theft of Property over \$2,500 in the Blount County Circuit Court. Williamson was granted judicial diversion relief pursuant to Tenn. Code Ann. § 40-35-313 and placed on supervised probation for a period of 3 years.

[City of Townsend Investigation Exhibit](#)

## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal control and compliance, some of which contributed to Williamson's ability to perpetrate his misappropriation without prompt detection. These deficiencies included:

### **Deficiency 1: The board failed to properly oversee city operations, resulting in multiple purchasing deficiencies**

Investigators noted the following purchasing deficiencies resulting from a lack of board oversight:

- The board did not perform a sufficient periodic review of credit card and account purchases. The lack of periodic board review of purchases increases the risk that fraud, waste, and abuse will occur without prompt detection.
- The board and Williamson did not require or retain adequate supporting documentation for some disbursements; therefore, investigators could not determine whether these disbursements were for the city's benefit. In some instances, management did not require or maintain invoices or other supporting documentation identifying city vehicles for which parts were purchased. Therefore, investigators could not determine if all vehicle parts

purchases were exclusively for city vehicles or personal use. The city's *Credit Card Policy* requires a cardholder to submit a missing receipt affidavit if he or she fails to turn in a receipt. The board and city manager should require and maintain adequate supporting documentation for all disbursements, such as invoices, receipts, or a receipt affidavit to verify that the payment is proper and reasonable.

- During the investigative period, investigators found at least 20 meal purchases on city credit cards totaling \$606.54. Due to a lack of supporting documentation, investigators could not determine if these meals were for official city business and for the benefit of the city.
- Williamson did not pay sales tax on numerous personal purchases. The city's sales tax exemption should only be used for purchases that benefit the city. The board's failure to perform periodic reviews of credit card and account purchases contributed to Williamson's ability to make personal purchases using the city's sales tax exemption without prompt detection.

**Deficiency 2: The board failed to properly oversee city operations, resulting in multiple collection deficiencies**

Investigators noted the following collection deficiencies resulting from a lack of board oversight:

- City employees did not adequately secure cash. They stored cash in an unlocked desk drawer in city hall where multiple people had access during the day. Sound business practices dictate that each employee involved in collections has their own cash drawer, starts the day with a standard fixed amount of cash for making change, and deposits all but the beginning amount of cash at the end of the day. The city manager or city recorder should verify daily deposits to employees' receipts at the end of each day. Failure to adequately secure cash greatly increases the risk of misappropriation without prompt detection.
- In some instances, city employees did not deposit collections into the city's bank account within three days of collection, as required by Tenn. Code Ann. § 6-56-111. Investigators noted some collections were held up to 55 days before being deposited. The failure to deposit collections promptly within three business days increases the risks of fraud and misappropriation.
- In some instances, city employees did not issue official prenumbered receipts for collections, as required by Tenn. Code Ann. § 9-2-103. Without official prenumbered receipts, investigators could not determine if city employees accounted for and deposited all collections.

City officials indicated that they have corrected or intend to correct these deficiencies.